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SUBJECT: HUGE INVESTMENT BY AUSTRIAN ENERGY FIRM "VERBUND" IN
TURKISH ELECTRICITY SECTOR

¶1. On July 1st, Verbund, the largest Austrian electricity provider, working in a 50/50 consortium with the Turkish company Sabanci, won the bidding in tenders to privatize the state-owned Turkish electricity provider "Baskent EDAS," paying \$1.2 billion for the company. One day later, Verbund lost the bidding for a second Turkish electricity provider to be privatized, Sakarya, to the Czech firm CEZ. The bid process was managed by the Austrian corporate finance advisory firm "Raiffeisen Investment," which has played a significant role in privatization processes in Eastern and Central Europe.

¶2. Verbund Board member Christian Kern said that the deal is the company's biggest acquisition ever and will make Verbund the largest private energy supplier in Turkey. Together with its Turkish partner, Verbund is planning to invest \$6.5 billion in new power stations and is aiming for a market share of 10-15 percent in the Turkish energy market. Verbund has also not ruled out participation in planned power supply privatizations in Turkey next fall.

¶3. Background: Verbund is the second largest energy company in Austria after oil and gas giant OMV, and specializes in electricity production and supply. The company has around 2,500 employees, and sales accounted for \$4.2 billion in 2007. Verbund's strategic goal is to make Turkey a focus of its foreign activities (so far mainly in France and Italy). The company is 51% state-owned due to a constitutional law in Austria that requires the government to hold a majority of shares in electricity providers.

¶4. Comment: The purchase shows that Turkey, and particularly its energy market, is increasingly important for Austrian companies due to its excellent growth potential. In 2006, OMV (with another Turkish partner) acquired the majority in the Turkish gas station provider Petrol Ofisi. Turkey's increasing role as regional "nerve center" in the energy sector, including in connection with the Nabucco pipeline, is another vital factor in Austria's intensifying economic ties with this country. End comment

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